

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Deborah Taylor Tate, Director
Pat Miller, Director
Ron Jones, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

March 24, 2003

Mr. Roy Ferrell
American Water Service Company, Inc.
P. O. Box 1906
Charleston, WV 25327

RE: Dkt. No. 03-00118 - Tennessee American to Change and Increase Certain Rates

Dear Mr. Ferrell:

Enclosed is a data request that the staff has created in connection with the above docket. Please remember to include thirteen (13) copies when submitting your response. The response should be received in this office no later than April 7, 2003.

All schedules requested as a computer file and/or a CD are to be provided in Microsoft Excel 97 or Microsoft Word readable format and Word Perfect readable format.

GENERAL

1. If material to TAWC's cost or level of service in Tennessee, please provide a comprehensive discussion of all abnormal conditions or changes in condition that (a) occurred during the last three years or (b) are reasonably anticipated to occur up to the anticipated hearing date in this case. Explain how these changes will affect TAWC's Tennessee operations going forward. The discussion should include, but not be limited to the following:
 - a. Management changes
 - b. Operational changes
 - c. Administrative changes
 - d. Recent or pending mergers, consolidations, or acquisitions
 - e. Major changes in sales or transportation volumes
 - f. Pending negotiations for possible changes in sales or transportation volumes to any current or prospective commercial or industrial customer.
 - g. Changes in pipeline allocations.
 - h. Labor contracts and/or Union problems
 - i. Expenses

2. State the effect that each of the applicable changes discussed in Item 14 has had or will have on the LDC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, revenues, expenses, rate base, and capital structure, including the LDC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, method of allocating each change among its regulated, unregulated, and jurisdictional operations.
3. Provide a current organizational chart for TAWC and, if applicable, its Parent, Multi-State Utility, or Affiliated Utility Service Company, showing for each officer (or any other key personnel) of TAWC, its Parent, Multi-state Utility, or Affiliated Utility Service Company: (a) the department(s) they head, and (b) to whom they report, from department or office level up. Only officers and key personnel, all or some portion of whose compensation is sought to be recovered from Tennessee ratepayers, must be included in the chart.
4. Provide six (6) copies of the Annual Stockholder Reports, the 10K reports, and 10 Q reports for TAWC, its Parent, Multi-state Utility, or Affiliated Utility Service Company, for the last three (3) years.
5. If TAWC is a separate entity, provide a current chart of accounts for TAWC and, if applicable, its Affiliated Utility Service Company. If TAWC is an operating division, also provide a current chart of accounts for the Multi-state Utility.
6. Provide copies of all rate case orders for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company issued since TAWC's last rate case or within the past three (3) years, whichever time is shorter.
7. Provide any costs associated with any employment and/or termination contracts TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company has or has had with management personnel since the last rate filing in Tennessee, and provide copies of such.
8. Provide a detailed General Ledger for the test year for the TAWC, its Parent, Multi-State Utility, and Affiliated Utility Service Company.
9. If TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, seeks to recover in its rates to the Tennessee ratepayers any separation payments made under any of the contracts, state the amount of any separation payments since the last rate filing in Tennessee.
10. Provide a detailed Trial Balance for the test period and preceding year for the company, its Parent, Multi-State Utility, and Affiliated Utility Service Company, by month, by account, including adjusting entries and post-closing balances.
11. If not provided in response to other items, provide the latest fiscal year-end Income Statement and Balance Sheet for TAWC, its Parent, Multi-State Utility, and Affiliated Utility Service Company. Provide an explanation of any differences in the year-end

Income Statement and Balance Sheet for the TAWC, its Parent, Multi-State Utility, and Affiliated Utility Service Company as set forth in its Annual Report to shareholders and its internal financial statements.

12. Provide a detailed list of all the company's affiliated party transactions for the test period year, including the nature and amount of each transaction.
13. Provide a list of outside professional services, as recorded in the test year, showing the nature of each service and the total charge for each service.
14. Provide a list of TAWC's customer service initiatives, and performance measures, including a description and analysis of the effectiveness of each for the last two (2) years. If applicable, the analysis should include, but not be limited to, time to connect the customer to the system, response time to service inquiries, restoring of service, new meter installations, billing inquiries, meeting appointment times, etc. If you have identified other areas that you monitor, include them in this response.
15. Please provide support for **all** statistics referenced in all testimony filed by TAWC in this case.

REVENUES (EXCLUDING MERCHANDISE AND JOBBING)

16. Provide any workpapers of any usage and growth trends and any adjustments used to project revenues in the attrition period(s).
17. Provide the computation of an average bill for a residential heating customer under the present and proposed rate schedules.
18. Provide a breakdown by source of all revenues shown as "Other Operating Revenues" for the test period and attrition period. Include the units and rates for each source.
19. List all special contract customers and their usage by month during the test period. Explain any anticipated changes in usage during the attrition period.
20. Provide a comparative analysis of heating costs for a typical residential customer using current electric and gas rates. State the Company's assumptions in preparing this analysis, along with backup for those assumptions.

EXPENSES

21. Provide detailed schedules explaining the calculation of the growth factor used to project expenses through the attrition year. Please break down the calculation between the inflation and customer growth components.

22. Provide a schedule(s) of employees for the test period, identifying them as hourly or salaried, part or full time, and the account to which their compensation is charged. Identify the regular, overtime, and total hours worked during the test period. Also, show the regular and total earnings during the test period. For those employees working only a partial year, give the dates of employment. Identify pay raises, month and percentage, from the test period through the attrition year. Where appropriate, show the allocation of compensation for such employees or appropriate employee group between states and between utility and non-utility operations. Also, indicate any anticipated changes in employment levels through the attrition period.
23. Provide a schedule showing by month, for the last two (2) fiscal years through the test period, identifying the amount and percentage of total payroll capitalized on a total Company, total TAWC, and Tennessee only basis. Provide a detailed calculation of the percentage used to capitalize payroll for the attrition period.
24. Provide a description of each type of service that employees of the Parent, Multi-state Utility, or Affiliated Utility Service Company perform for the Tennessee operations as referenced in test and attrition years.
25. Provide copies of the latest labor union contracts for TAWC.
26. For the test period and attrition period, provide detailed workpapers supporting the calculation of the life insurance expense, long-term disability, hospitalization and medical expenses, and other miscellaneous employee insurance expenses. Show the total and capitalized amounts. Provide actual rates for the benefits that the TAWC pays. Provide the amounts that the employee contributes for these benefits.
27. Provide a liability and property insurance schedule for the test period, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries and the allocation used. Also, provide the same information for those policies currently in effect and any anticipated changes in policies through the attrition period. Where applicable, provide the name of the insurance company with a contact person and telephone number.
28. Does TAWC have a written policy regarding non-base pay compensation or stock options? If so, please provide a copy of this policy. Were any amounts paid or accrued during the test period? If so, please provide a schedule of employees, showing the amount paid or accrued and the basis of the calculation. Provide the same information for the attrition period.
29. Provide a detailed analysis of advertising expense for the test period. Provide and discuss TAWC's projected advertising expenses from the end of the test period through the attrition period. For each month, identify the amount of advertising classified as follows:

- a. Institutional
 - b. Conservation
 - c. Informational
 - d. Promotional
30. Provide the amount of expense recorded for the rental of equipment or other property, for each month of the test period. Provide copies of Lease Agreements if applicable.
 31. Provide a schedule identifying all directors of TWAC, its Parent, Multi-state Utility, or Affiliated Utility Service Company, dates of meetings attended, and the amount of directors' fees attributable to each meeting for each month of the test period. Identify the account to which these fees are booked.
 32. Provide the amount of direct and allocated charges to TWAC from its Parent, Multi-State Utility, or Affiliated Utility Service Company, by account, for each month of the test period and the projected amount for each month of the attrition period.
 33. Provide the amount of each lobbying expense, charitable contribution, social club membership and athletic event paid by its Parent, Multi-State Utility, or Affiliated Utility Service Company and allocated to TWAC for each month of the test period and included in costs to be recovered in regulated rates. Provide the same information and breakdown for any amounts paid directly by the LDC and included in costs to be recovered in regulated rates. Identify the accounts charged for each amount.
 34. Provide a detailed itemization (including billing invoices) of the rate case costs by law firm and rate case consultant.

TAXES

35. Provide copies of the following tax returns (state and federal) for the most recent three (3) tax years:
 - a. Tennessee Gross Receipts Tax Returns
 - b. Tennessee Franchise and Excise Tax Returns
 - c. Property tax statement Tennessee Ad Valorem Tax Report
 - d. Employer's Quarterly Federal Tax Returns (Form 941)
 - e. Employer's Annual Federal Unemployment Tax Return (Form 940)
 - f. Employer's Quarterly Contribution Report to the Tennessee Department of Employment Security
36. Provide the following Federal Income Tax data for the Tennessee Operations for the test year and the attrition year:

- a. The calculation of the company's federal income tax expense. The calculated amount should reconcile to the amount reported on the Tennessee PSC 3.06 monthly reports
 - b. A detailed calculation of the permanent book and tax differences
 - c. A detailed calculation of the temporary book and tax differences
 - d. Operating federal income taxes deferred – accelerated depreciation
 - e. Federal income taxes – operating
 - f. Income credits resulting from prior deferrals of federal income taxes
37. Provide a reconciliation of book to taxable income and a calculation of the federal income tax expense on a total Company and Tennessee only basis for the test period and for the attrition period.
38. Provide the unemployment tax rate presently being paid, broken down into state and federal rates, and any anticipated change in the state unemployment rate.

RATE BASE (EXCLUDING WORKING CAPITAL)

39. Provide monthly plant additions, retirements, contributions in of construction by account number since last rate case to include the test period.
40. Provide schedules showing the development of the average Tennessee account balances listed below for the test and attrition years. (If partially provided in other items, provide the remaining data here.)
- a. Gas Plant in Service
 - b. Construction Work in Progress
 - c. Inventories
 - d. Deferred debits
 - e. Reserves
 - f. Customer Deposits
 - g. Interest on Customer Deposits
 - h. Contributions in Aid of Construction
 - i. Accumulated Deferred FIT
 - j. Accumulated Depreciation
 - k. Accounts Payable applicable to CWIP
 - l. Accounts Payable applicable to Materials & Supplies
 - m. Customer Advances
 - n. Materials and Supplies
 - o. Accounts Receivable – Other
 - p. Prepaids
41. Provide an explanation and calculation of the method used to allocate to Tennessee any portions included in Item 69 above.

42. Provide the investment, accumulated depreciation, and deferred federal income taxes on all property that is owned by an affiliate of TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, where applicable, and leased or allocated to TAWC or Multi-state Utility. An operating division of a Multi-State Utility is not an affiliate.
43. In the filing, TAWC used a ten year life for amortizing the costs associated with a call center. Why was a ten year life used? How long is the call center projected to be in existence?

WORKING CAPITAL

44. Has the TAWC updated the Lead-Lag Study since its last rate case? If so:
 - a. Provide a copy of the Lead-Lag Study workpapers.
 - b. Provide the percentage of the sample tested to the total test period dollar amount for each account in the Lead-Lag Study.
 - c. Provide a comparison of the Lead-Lag Study used in this case with the Study used in the previous case and explain any major changes.
45. Provide a description of the policy of TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, with respect to maintaining minimum cash balances. Provide copies of supporting management directives or minutes from directors' meetings supporting such policies.
46. Provide a list of all TAWC's's checking accounts, identifying the nature and use for each. Provide a copy of all TAWC's bank statements for each month during the test period.

MERCHANDISE & JOBBING AND OTHER NON-REGULATED OPERATIONS

47. Explain the nature and extent of each of TAWC's or, where applicable, Multi-state Utility's non-regulated operations.
48. Provide an Income Statement and identify assets devoted to and liabilities specifically arising from non-regulated operations of TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the last two (2) fiscal years. For each year, identify each class of revenue separately (appliance, propane sales, etc.). The statements should include the following information for each year:
 - a. The direct expense incurred by TAWC for each operation.
 - b. The general office expense allocated to each operation by TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company
 - c. All expenses charged to TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, from the non-regulated activities.
 - d. All revenues billed by TAWC's regulated operations to the non-regulated operations.

49. Provide a complete explanation and calculation of how costs (other than salaries and wages) as requested above were allocated to non-utility operations for the test period and for the period from the end of the test period through the attrition period.
50. Provide the percentage of non-regulated labor for the test period.

COST OF CAPITAL

51. Provide a calculation of TAWC's, its Parent's, Multi-State Utility's, or Affiliated Utility Service Company's, debt, equity capital and the debt and equity ratios for the last two (2) years. Show long and short-term debt, preferred stock and common equity separately.
52. Provide a calculation of the average composite interest cost for the long-term debt and short-term debt for the last two (2) years.
53. Provide a schedule identifying the following for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the last two (2) fiscal years and adjust for any stock splits:
 - a. Primary earnings per share
 - b. Fully diluted earnings per share
 - c. Dividends per share
 - d. Book value per share
 - e. High market price for each year
 - f. Low market price for each year
 - g. Average market price for each year
54. Provide a schedule identifying the date and amount of each common stock dividend paid during the last three (3) fiscal years. Include any announced future dividend payments and adjust for any stock splits.
55. Provide the computer file showing items below for the Parent, Multi-State Utility, or Affiliated Utility Service Company, for each of the last fifteen (15) fiscal years:
 - a. Earnings, annual dividends declared, annual dividends paid, book value of common equity, and price of common equity (each item should be shown per average actual common share outstanding, adjusted for stock splits and stock dividends)
 - b. Rate of return to average common equity
 - c. Common stock earnings retention ratio
 - d. For common stock not issued to the public, but issued pursuant to a) tax reduction act stock ownership plans, b) employee stock option plans, and c) dividend reinvestment plans, provide net proceeds per common share issued, and number of shares issued and previously outstanding at the beginning of the year. Provide

the information separately for each of the three (3) types of plans and report each plan's information as annual aggregate or as an average and indicate whether you are providing an average or aggregate figure.

e. For those issues of common stock sold to the public and not falling under d. above, provide:

- 1) Date of issue
- 2) Number of shares issued and previously outstanding for each issue and in the aggregate
- 3) Number of shares sold to the public
- 4) Gross proceeds per share from the public
- 5) Net proceeds per share from the public
- 6) Price per share to the public

56. In a computer file, provide the balance for the following for each month of the latest fiscal year:

- a. Long- and medium-term debt by issue and aggregated
- b. Preferred stock by issue and aggregated
- c. Common equity

57. In a computer file, provide a schedule, for each month of the latest fiscal year, showing interest rates, dividend rates, the monthly amortization of discount, premium and issuance expense and the monthly unamortized balances of discount, premium and issuance expense for long-term debt and preferred stock identified in response to the item above. Specifically, be sure to provide in your response for each month the balances by issue for unamortized discount, premium, and issuance expense for all of the Parent's, Multi-State Utility's, or Affiliated Utility Service Company's long- and medium-term debt and preferred stock, if any.

58. In a computer file, provide for each month of the latest fiscal year the balances of capital surplus. Separate the surplus between common and preferred stock. For purposes of this request, "capital surplus" means amounts paid in that are less than or are in excess of par value of the respective stock issues.

59. In a computer file, provide unamortized balances, if any, on the gain or loss on reacquired preferred or preference stock for each month in the latest fiscal year. Clearly identify the issue for each unamortized balance.

60. In a computer file, provide the monthly amortization of any gain or loss on reacquired preferred or preference stock, if any, for each month of the latest fiscal year.

61. In a computer file, provide the unamortized balances, if any, of gain or loss in reacquired long-term debt for each month in the latest fiscal year. Be sure to clearly identify the issue for each unamortized balance.

62. In a computer file, provide the monthly amortization, if any, of the gain or loss on reacquired long-term debt for each month of the latest fiscal year.
63. If applicable, provide the amount of return on investment billed to TAWC by any affiliate of TAWC for the latest fiscal year and for the attrition period. Include in your response a calculation of the return on equity percent and the account charged for the return amount. As used in this Item 92, "affiliate" means any entity that controls, is controlled by, or is under common control with TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company.
64. For the latest two (2) fiscal years and for each month to the present for which data is available, provide a monthly listing of the shares of common stock sold by TAWC directly to investors and shareholders. Separate the monthly listing between stock sold through the Stock Purchase Plan of TAWC and stock sold through the Dividend Reinvestment Plan of the TAWC.
65. Provide copies of TAWC's projected annual equity ratio for the next five (5) fiscal years.
66. Provide copies of TAWC's projected new stock and debt issues for the next five (5) fiscal years.
67. Provide copies of TAWC's projected annual dividends per share of common stock for the next five (5) fiscal years.
68. If material to the Tennessee Operations, provide copies of projected annual earnings per share of common stock for the next five (5) fiscal years.
69. Provide the number of stockholders of record for TAWC, its Parent, Multi-State Utility, or Affiliated Utility Service Company for the last ten (10) fiscal years.

Thank you for your attention in this matter. If you have any questions regarding the data request you may contact me at (615) 741-2904, ext. 183.

Sincerely,

Butch Phillips

Butch Phillips
Utility Rate Specialist III
Energy and Water Division

cep03-016TWAC